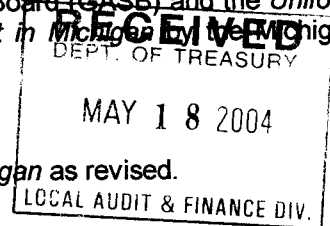


## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Hudson	<b>County</b> Mackinac
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> May 7, 2004	<b>Date Accountant Report Submitted to State:</b> May 7, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan as revised by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

**RECEIVED**  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
✓ MAY 18 2004  
Year Ended March 31, 2004

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

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FAX (989) 894-5494

## **INDEPENDENT AUDITOR'S REPORT**

May 7, 2004

To the Township Board  
Township of Hudson  
Mackinac County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hudson, Mackinac County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hudson's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted auditing principles, is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hudson, Mackinac County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hudson, Mackinac County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>
<u>Assets</u>			
Cash in bank	130 115 17	56 493 67	114 775 38
Taxes receivable	2 055 17	5 712 49	-
Due from other funds	19 397 95	19 572 14	-
Total Assets	<u>151 568 29</u>	<u>81 778 30</u>	<u>114 775 38</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	1 326 18	-	-
Due to other funds	890 48	12 311 67	25 767 94
Due to others	-	-	89 007 44
Total liabilities	<u>2 216 66</u>	<u>12 311 67</u>	<u>114 775 38</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>149 351 63</u>	<u>69 466 63</u>	-
Total fund equity	<u>149 351 63</u>	<u>69 466 63</u>	-
Total Liabilities and Fund Equity	<u>151 568 29</u>	<u>81 778 30</u>	<u>114 775 38</u>

The accompanying notes are an integral part of these financial statements.

Total  
(Memorandum  
Only)

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301 384 22  
7 767 66  

---

38 970 09  

---

348 121 97

1 326 18  
38 970 09  

---

89 007 44  

---

129 303 71

---

218 818 26  

---

218 818 26  

---

348 121 97

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES EXHIBIT B  
Year Ended March 31, 2004 Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	20 003 32	66 528 39	86 531 71
Other taxes	37 791 14	-	37 791 14
Licenses and permits	2 634 56	-	2 634 56
State revenue sharing	15 314 00	660 00	15 974 00
Charges for services:			
PTAF	5 939 20	-	5 939 20
Cemetery	150 00	-	150 00
Other	1 542 75	-	1 542 75
Interest	3 138 06	1 540 83	4 678 89
Miscellaneous	<u>769 42</u>	<u>9 16</u>	<u>778 58</u>
Total revenues	<u>87 282 45</u>	<u>68 738 38</u>	<u>156 020 83</u>
Expenditures:			
Legislative:			
Township Board	11 334 79	-	11 334 79
General government:			
Supervisor	4 200 00	-	4 200 00
Auditing and accounting	1 305 48	-	1 305 48
Assessor	6 477 28	-	6 477 28
Clerk	3 600 00	-	3 600 00
Board of Review	1 697 90	-	1 697 90
Treasurer	3 600 00	-	3 600 00
Building and grounds	24 899 89	-	24 899 89
Public safety:			
Fire protection	1 056 66	5 730 09	6 786 75
Liquor law enforcement	-	710 52	710 52
Ambulance	6 076 01	-	6 076 01
Protective inspection	2 681 03	-	2 681 03
Public works:			
Highways and streets	50 438 40	117 053 50	167 491 90
Sanitation	1 457 58	-	1 457 58
Culture and recreation:			
Recreation	1 473 60	-	1 473 60
Capital outlay	<u>11 049 00</u>	<u>3 485 40</u>	<u>14 534 40</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES EXHIBIT B  
Year Ended March 31, 2004 Page 2

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Total expenditures	<u>131 347 62</u>	<u>126 979 51</u>	<u>258 327 13</u>
Excess (deficiency) of revenues over expenditures	(44 065 17)	(58 241 13)	(102 306 30)
Fund balances, April 1	<u>193 416 80</u>	<u>127 707 76</u>	<u>321 124 56</u>
Fund Balances, March 31	<u>149 351 63</u>	<u>69 466 63</u>	<u>218 818 26</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF HUDSON  
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	General Fund		Over (Under) Budget
	Budget	Actual	Budget
Revenues:			
Property taxes	19 400 00	20 003 32	603 32
Other taxes	37 795 00	37 791 14	(3 86)
Licenses and permits	2 700 00	2 634 56	(65 44)
State revenue sharing	15 500 00	15 314 00	(186 00)
Charges for services:			
PTAF	4 700 00	5 939 20	1 239 20
Cemetery	200 00	150 00	(50 00)
Other	1 600 00	1 542 75	(57 25)
Interest	3 100 00	3 138 06	38 06
Miscellaneous	2 400 00	769 42	(1 630 58)
Total revenues	<u>87 395 00</u>	<u>87 282 45</u>	<u>(112 55)</u>
Expenditures:			
Legislative:			
Township Board	11 400 00	11 334 79	(65 21)
General government:			
Supervisor	4 200 00	4 200 00	-
Auditing and accounting	1 400 00	1 305 48	(94 52)
Assessor	6 500 00	6 477 28	(22 72)
Clerk	3 600 00	3 600 00	-
Board of Review	1 800 00	1 697 90	(102 10)
Treasurer	3 600 00	3 600 00	-
Building and grounds	25 000 00	24 899 89	(100 11)
Cemetery	250 00	-	(250 00)
Public safety:			
Fire protection	1 100 00	1 056 66	(43 34)
Liquor law enforcement	-	-	-
Ambulance	6 000 00	6 076 01	76 01
Protective inspection	2 700 00	2 681 03	(18 97)
Public works:			
Highways and streets	50 500 00	50 438 40	(61 60)
Sanitation	1 500 00	1 457 58	(42 42)
Culture and recreation:			
Recreation	1 500 00	1 473 60	(26 40)
Capital outlay	<u>11 200 00</u>	<u>11 049 00</u>	<u>(151 00)</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
63 800 00	66 528 39	2 728 39
-	-	-
-	-	-
660 00	660 00	-
-	-	-
-	-	-
-	-	-
1 550 00	1 540 83	(9 17)
<u>50 00</u>	<u>9 16</u>	<u>(40 84)</u>
<u>66 060 00</u>	<u>68 738 38</u>	<u>2 678 38</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
8 300 00	5 730 09	(2 569 91)
660 00	710 52	50 52
-	-	-
117 875 00	117 053 50	(821 50)
-	-	-
-	-	-
<u>4 500 00</u>	<u>3 485 40</u>	<u>(1 014 60)</u>

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>132 250 00</u>	<u>131 347 62</u>	<u>(902 38)</u>
Excess (deficiency) of revenues over expenditures	(44 855 00)	(44 065 17)	789 83
Fund balances, April 1	<u>44 855 00</u>	<u>193 416 80</u>	<u>148 561 80</u>
Fund Balances, March 31	<u>-</u>	<u>149 351 63</u>	<u>149 351 63</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>131 335 00</u>	<u>126 979 51</u>	<u>(4 355 49)</u>
(65 275 00)	(58 241 13)	7 033 87
<u>65 275 00</u>	<u>127 707 76</u>	<u>62 432 76</u>
<u>-</u>	<u>69 466 63</u>	<u>69 466 63</u>

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hudson, Mackinac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hudson. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 9.4017 mills and the taxable value was \$13,363,913.00.

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets and Depreciation

Purchases of general fixed assets for all funds are recorded as expenditures in the respective funds at the time of purchase. The Township has not recorded the general fixed assets group of accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

The Township of Hudson does not accumulate vacation and sick pay and therefore no accrued amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to retirees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



TOWNSHIP OF HUDSON  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>301 384 22</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	102 591 99
Uninsured and Uncollateralized	<u>198 792 23</u>
Total Deposits	<u>301 384 22</u>

The Township of Hudson did not have any investments as of March 31, 2004.

Note 3 – Budget Variances

Public Act 621 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted on an activity level, and amended periodically by the Township Board. During the year ended March 31, 2004, the Township incurred expenditures in certain activities which were in excess of the amounts appropriated.

<u>Fund/Activity</u>	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Ambulance	6 000 00	6 076 01	76 01
Special Revenue Fund:			
Liquor law enforcement	660 00	710 52	50 52

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**Note 4 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Fire	7 474 66		
Road	11 207 00		
General	<u>7 086 28</u>	Current Tax Collection	<u>25 767 94</u>
	<u>25 767 94</u>		<u>25 767 94</u>
Liquor	<u>890 48</u>	General	<u>890 48</u>
General	<u>12 311 67</u>	Fire	<u>12 311 67</u>
Total	<u>38 970 09</u>	Total	<u>38 970 09</u>

**Note 5 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 6 – Pension Plan**

The Township does not have a pension plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

As of March 31, 2004, the Township had building permit revenues of \$2,634.56 and building permit expenses of \$2,681.03.

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year Ended March 31, 2004

EXHIBIT D

Page 1

Township Board:

Salaries	4 835 00
Payroll taxes	2 248 15
Supplies	203 83
Insurance	1 575 00
Miscellaneous	<u>2 472 81</u>
	<u>11 334 79</u>

Supervisor:

Salary	<u>4 200 00</u>
--------	-----------------

Auditing and accounting

1 305 48

Assessor:

Salary	4 500 00
Miscellaneous	<u>1 977 28</u>
	<u>6 477 28</u>

Clerk:

Salary	<u>3 600 00</u>
--------	-----------------

Board of Review:

Wages	1 350 00
Miscellaneous	<u>347 90</u>
	<u>1 697 90</u>

Treasurer:

Salary	<u>3 600 00</u>
--------	-----------------

Building and grounds:

Wages	2 200 02
Insurance	8 899 00
Miscellaneous	<u>13 800 87</u>
	<u>24 899 89</u>

Fire protection:

Wages	600 00
Supplies	<u>456 66</u>
	<u>1 056 66</u>

Ambulance:

Contracted services	<u>6 076 01</u>
---------------------	-----------------

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year Ended March 31, 2004

EXHIBIT D

Page 2

Protective inspection:	
Salaries and wages	2 368 56
Miscellaneous	312 47
	<u>2 681 03</u>
Highways and streets:	
Contracted services	<u>50 438 40</u>
Sanitation	<u>1 457 58</u>
Recreation	<u>1 473 60</u>
Capital outlay	<u>11 049 00</u>
Total Expenditures	<u>131 347 62</u>

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS

EXHIBIT E

March 31, 2004

	<u>Fire</u>	<u>Road</u>	<u>Liquor Law Enforcement</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	39 866 05	16 627 62	-	56 493 67
Taxes receivable	2 285 55	3 426 94	-	5 712 49
Due from other funds	<u>7 474 66</u>	<u>11 207 00</u>	<u>890 48</u>	<u>19 572 14</u>
Total Assets	<u>49 626 26</u>	<u>31 261 56</u>	<u>890 48</u>	<u>81 778 30</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	<u>12 311 67</u>	<u>-</u>	<u>-</u>	<u>12 311 67</u>
Total liabilities	<u>12 311 67</u>	<u>-</u>	<u>-</u>	<u>12 311 67</u>
Fund balances:				
Unreserved:				
Undesignated	<u>37 314 59</u>	<u>31 261 56</u>	<u>890 48</u>	<u>69 466 63</u>
Total fund balances	<u>37 314 59</u>	<u>31 261 56</u>	<u>890 48</u>	<u>69 466 63</u>
Total Liabilities and Fund Balances	<u>49 626 26</u>	<u>31 261 56</u>	<u>890 48</u>	<u>81 778 30</u>

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT F

	<u>Fire</u>	<u>Road</u>	<u>Liquor Law Enforcement</u>	<u>Total</u>
Revenues:				
Property taxes	26 618 37	39 910 02	-	66 528 39
State revenue sharing	-	-	660 00	660 00
Interest	614 04	926 79	-	1 540 83
Miscellaneous	<u>9 16</u>	<u>-</u>	<u>-</u>	<u>9 16</u>
Total revenues	<u>27 241 57</u>	<u>40 836 81</u>	<u>660 00</u>	<u>68 738 38</u>
Expenditures:				
Public safety:				
Liquor law enforcement	-	-	710 52	710 52
Fire protection	5 730 09	-	-	5 730 09
Public works:				
Highways and streets	-	117 053 50	-	117 053 50
Capital outlay	<u>3 485 40</u>	<u>-</u>	<u>-</u>	<u>3 485 40</u>
Total expenditures	<u>9 215 49</u>	<u>117 053 50</u>	<u>710 52</u>	<u>126 979 51</u>
Excess (deficiency) of revenues over expenditures	18 026 08	(76 216 69)	(50 52)	(58 241 13)
Fund balances, April 1	<u>19 288 51</u>	<u>107 478 25</u>	<u>941 00</u>	<u>127 707 76</u>
Fund Balances, March 31	<u><u>37 314 59</u></u>	<u><u>31 261 56</u></u>	<u><u>890 48</u></u>	<u><u>69 466 63</u></u>

TOWNSHIP OF HUDSON  
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT G

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>117 002 21</u>	<u>437 022 06</u>	<u>439 248 89</u>	<u>114 775 38</u>
<u>Liabilities</u>				
Due to other funds	93 573 79	13 613 27	81 419 12	25 767 94
Due to others	<u>23 428 42</u>	<u>423 408 79</u>	<u>357 829 77</u>	<u>89 007 44</u>
Total Liabilities	<u>117 002 21</u>	<u>437 022 06</u>	<u>439 248 89</u>	<u>114 775 38</u>



TOWNSHIP OF HUDSON  
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended March 31, 2004

EXHIBIT H

Cash on hand and in bank – beginning of year	<u>117 002 21</u>
Cash receipts:	
Property taxes	<u>437 022 06</u>
Total cash receipts	<u>437 022 06</u>
Total beginning balance and cash receipts	<u>554 024 27</u>
Cash disbursements:	
Mackinac County	150 253 94
Eastern UP Intermediate School District	11 780 31
Engadine Consolidated Schools	195 795 52
Township General Fund	22 259 49
Township Fire Fund	23 721 40
Township Road Fund	<u>35 438 23</u>
Total cash disbursements	<u>439 248 89</u>
Cash on Hand and in Bank – End of Year	<u>114 775 38</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

**RECEIVED**  
DEPT. OF TREASURY

MAY 18 2004

TEL (989) 894-1040  
FAX (989) 894-5494

**AUDIT COMMUNICATION AND LOCAL AUDIT & FINANCE DIV.**

## **REPORT OF COMMENTS AND RECOMMENDATIONS**

May 7, 2004

To the Township Board  
Township of Hudson  
Mackinac County, Michigan

We have audited the financial statements of the Township of Hudson, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Hudson in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Hudson  
Mackinac County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to , 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Hudson  
Mackinac County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Hudson will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants